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# AlphaClone

## Performance Report

January 2018



A person is rappelling down a rock face. The image is overlaid with a semi-transparent teal color. The person is wearing a harness and a blue bag, and is holding a rope that extends down the rock face. The rock surface is textured and has some cracks.

# AlphaClone Active Indexes

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Learn more  
<http://alphaclone.com/active-indexes>

Index	Index Ticker	Description
AlphaClone Hedge Fund Masters Index	ALFMIX	An index of US equities favored by hedge funds and institutional investors with high Clone Scores – a proprietary measure developed by AlphaClone to identify managers with stock selection skill.
AlphaClone International Index	ALFILX	A broad index of US exchange-traded ADRs favored by hedge funds and institutional investors with high Clone Scores.
AlphaClone Small Cap Index	ALFSIX	An index of US exchange-traded small capitalization equities favored by hedge funds and institutional investors with high Clones Scores.
AlphaClone Activist Manager Index	ALFDIX	An index of US exchange-traded equities favored by hedge funds and institutional investors that have high Clones Scores and pursue an activist investment approach.
AlphaClone Value Manager Index	ALFVIX	An index of US-exchange traded equities favored by hedge funds and institutional investors that have high Clones Scores and pursue a value investment approach.

# Index Performance January 2018

Annualized Returns	ALFMIX	ALFDIX	ALFVIX	S&P 500 TR	ALFSIX	Russell 2000	ALFILX	MSCI All Country ex-US
MTD	7.8%	4.4%	7.9%	5.7%	3.5%	2.6%	7.1%	5.6%
YTD	7.8%	4.4%	7.9%	5.7%	3.5%	2.6%	7.1%	5.6%
1Y	32.5%	25.9%	34.4%	26.2%	25.3%	17.2%	40.6%	29.6%
3Y	13.6%	13.6%	16.4%	14.5%	12.9%	12.2%	16.7%	9.7%
5Y	18.0%	17.1%	18.3%	15.8%	14.9%	13.4%	13.7%	7.0%
10Y	10.3%	10.5%	10.7%	8.5%	11.4%	9.8%	7.1%	3.0%

Source: AlphaClone. Past performance is no guarantee of future returns. It is not possible to invest in an index. ALPHACLN and ALFIIX inception dates are 10/11/2011 and 11/5/2015 respectively. Results prior to these dates and for all other AlphaClone Indexes are hypothetical. \*Portfolio returns are net of hypothetical annual fees on AlphaClone Indexes of 0.65% for ALFMIX, 0.75% for ALFILX, ALFDIX and ALFVIX, and 0.95% for ALFSIX. For illustrative purposes only. Please see important disclosures at the end of this document.

A person is rappelling down a rock face. The person is wearing a harness and a blue backpack, and is holding a rope. The rock face is textured and appears to be made of sandstone or a similar material. The entire image is overlaid with a teal semi-transparent filter.

# AlphaClone SMA Composites

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Index	Description
AlphaClone Select Long/Short Composite	The strategy invests in US equities favored by hedge funds and institutional investors with high Clone Scores – a proprietary measure developed by AlphaClone to identify managers with stock selection skill. The strategy can vary from long only to market neutral when the S&P 500 closes below its 200 day moving average at any month end.
AlphaClone International Long/Short Composite	The strategy invests ADRs favored by hedge funds and institutional investors with high Clone Scores. The strategy can vary from long only to market neutral when the S&P 500 closes below its 200 day moving average at any month end.
AlphaClone Activist Masters Composite	The strategy invests in US exchange-traded equities favored by hedge funds and institutional investors that have high Clones Scores and pursue an activist investment approach.
AlphaClone Value Masters Composite	An index of US exchange-traded equities favored by hedge funds and institutional investors that have high Clones Scores and pursue a value-oriented investment approach.

# SMA Composite Performance (net) January 2018

	AC Select L/S	Benchmark*	AC Int'l L/S	Benchmark**	AC Activist	S&P 500	AC Value	S&P 500
<b>Trailing Returns</b> (annualized)								
<b>MTD</b>	<b>8.13%</b>	5.73%	<b>11.28%</b>	5.60%	<b>4.91%</b>	5.73%	<b>8.13%</b>	5.73%
<b>YTD</b>	<b>8.13%</b>	5.73%	<b>11.28%</b>	5.60%	<b>4.91%</b>	5.73%	<b>8.13%</b>	5.73%
<b>1Y</b>	<b>35.00%</b>	26.42%	<b>36.02%</b>	29.43%	<b>16.63%</b>	26.28%	<b>30.20%</b>	26.28%
<b>3Y</b>	<b>13.96%</b>	11.87%	<b>1.03%</b>	8.86%	<b>9.66%</b>	14.55%	<b>12.86%</b>	14.55%
<b>5Y</b>	<b>15.36%</b>	14.22%	<b>8.89%</b>	6.53%	<b>13.47%</b>	15.78%	<b>16.05%</b>	15.78%
<b>Inception</b>	<b>9.32%</b>	8.48%	<b>4.55%</b>	4.00%	<b>10.32%</b>	9.50%	<b>9.98%</b>	9.50%
<b>Annual Returns</b>								
<b>2011</b>	<b>-6.44%</b>	-2.52%	<b>-8.55%</b>	-7.11%	<b>7.26%</b>	-0.03%	<b>-2.26%</b>	-0.03%
<b>2012</b>	<b>21.59%</b>	13.25%	<b>0.35%</b>	11.62%	<b>23.62%</b>	13.32%	<b>19.92%</b>	13.32%
<b>2013</b>	<b>36.54%</b>	32.42%	<b>50.19%</b>	15.29%	<b>37.59%</b>	32.22%	<b>42.42%</b>	32.22%
<b>2014</b>	<b>7.43%</b>	13.68%	<b>10.86%</b>	-3.87%	<b>19.60%</b>	13.53%	<b>13.59%</b>	13.53%
<b>2015</b>	<b>6.48%</b>	-3.21%	<b>-15.51%</b>	-7.05%	<b>-8.04%</b>	1.34%	<b>4.68%</b>	1.34%
<b>2016</b>	<b>-2.72%</b>	8.92%	<b>-17.21%</b>	3.40%	<b>8.04%</b>	11.79%	<b>-4.03%</b>	11.79%
<b>2017</b>	<b>30.44%</b>	21.84%	<b>31.15%</b>	26.91%	<b>17.45%</b>	21.70%	<b>25.75%</b>	21.70%
<b>Inception Date</b>	<b>1/1/11</b>		<b>11/1/10</b>		<b>9/1/10</b>		<b>9/1/10</b>	
<b>No. of Holdings</b>	<b>~30</b>		<b>10</b>		<b>~20</b>		<b>10</b>	
<b>Hedged?</b>	<b>Yes</b>		<b>Yes</b>		<b>No</b>		<b>No</b>	
<b>Reblance</b>	<b>Quarterly</b>		<b>Quarterly</b>		<b>Quarterly</b>		<b>Quarterly</b>	
<b>Weighting</b>	<b>Equal</b>		<b>Equal</b>		<b>Equal</b>		<b>Equal</b>	

A person is rappelling down a rock face. The image is overlaid with a semi-transparent teal color. The person is wearing a harness and a blue bag, and is holding a rope that extends down the page. The background shows the texture of the rock and some green vegetation.

# AlphaClone Mirror Portfolio

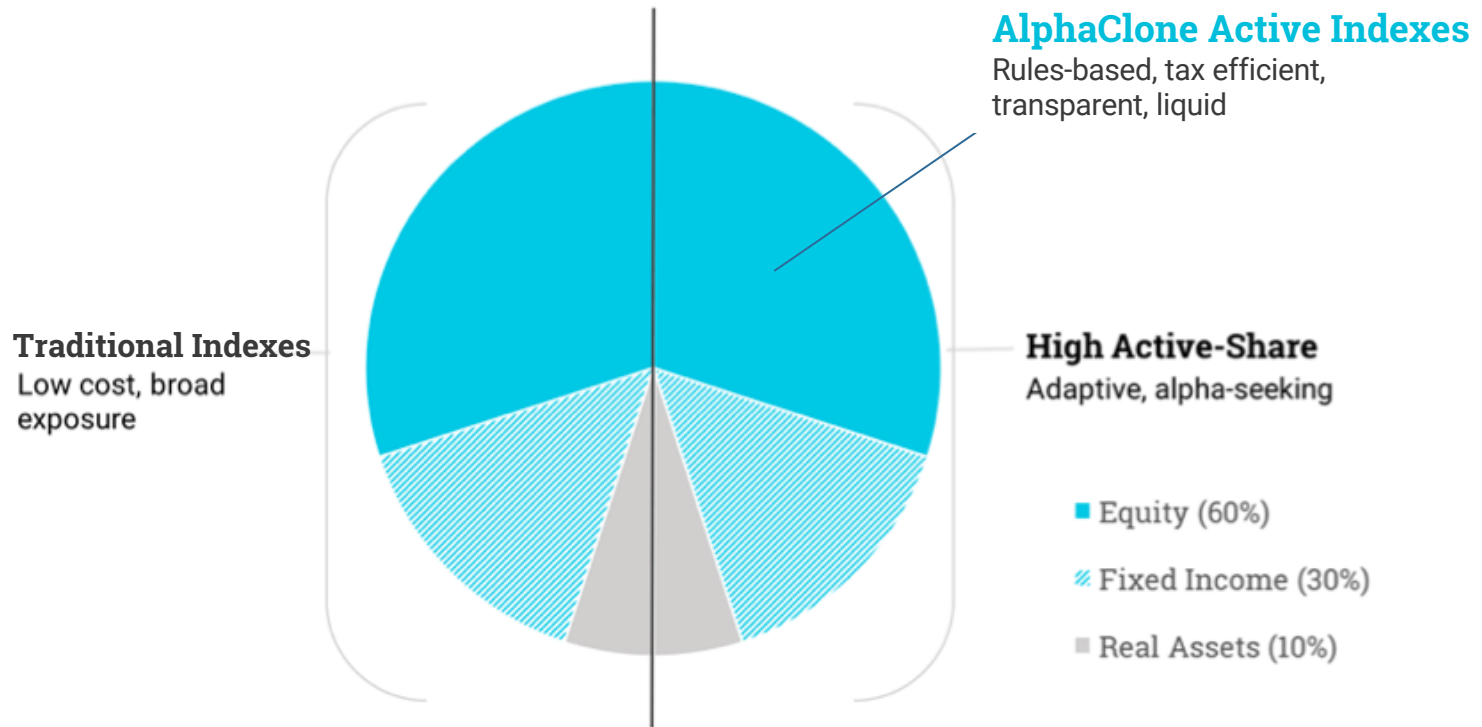


# Mirror Portfolio Benefits

Use active indexes to diversify your investment style exposure while avoiding the inefficiency and high fees of traditional active funds.

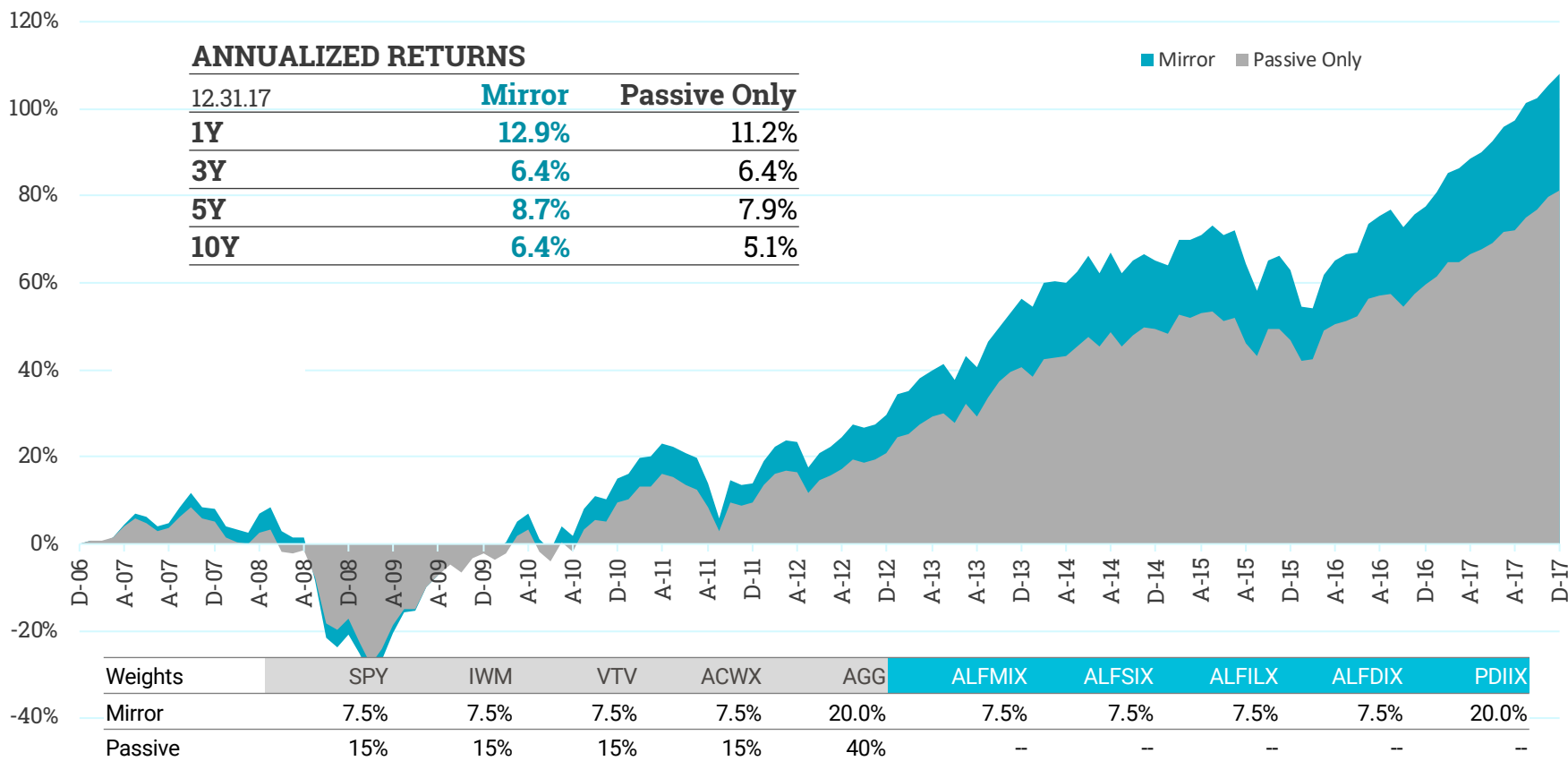
## Mirror Portfolio Objective

Diversify across investment styles.



# Allocating to active indexes can improve your portfolio's long-term results

AlphaClone Mirror Portfolio vs Traditional Passive Portfolio  
Total Returns; Rebalanced Annually; 12/2006 through 12/2017



Source: AlphaClone. Results are theoretical and for illustrative purposes only. Returns are shown net of fund expenses but gross of advisor management fee. Please see important disclosures section at the end of this document.

# Controlling costs is one of the most important determinants of investment success

The table below summarizes the average fees for a model moderate risk portfolio that invests \$500,000. Fees for the average traditional advisor and fund expenses comes from the 2016 InvestmentNews Financial Study of Advisory Firms, a survey of 500+ RIAs. Fees for Betterment come from an analysis conducted by [Investor Junkie](#).

Annual	Advisor Fee	Fund Expenses	Trading Commission	Investor Total
<b>AlphaClone Mirror</b>	<b>0.19%</b>	<b>0.41%</b>	<b>none</b>	<b>0.60%</b>
Avg. Advisor	1.11%	0.68%	\$5-10/trade	<b>1.79%</b>
Betterment	0.25%	0.15%	none	<b>0.40%</b>

Model Weights	IVV	VO	VEU	BND	GLTR	ALFA	ALFI	DBLFX	AQMIX
AlphaClone Mirror	10%	10%	10%	20%	5%	10%	10%	20%	5%
Passive	20%	10%	20%	40%	10%	--	--	--	--

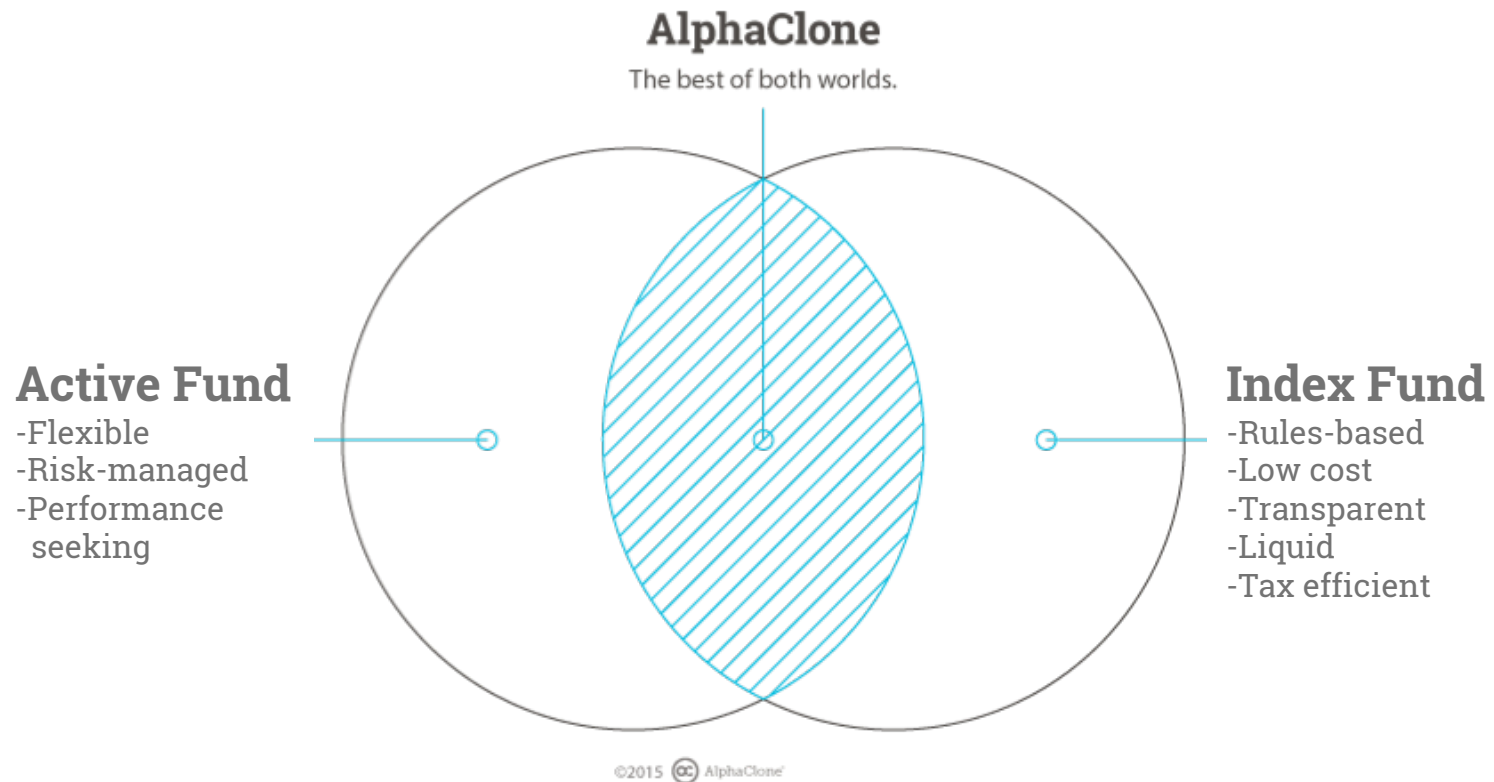
For illustrative purposes only. In addition to any annual advisor fee earned by AlphaClone for management of a separate account, the firm earns an annual fee from exchange traded funds (ETFs) that track its active indexes (ALFA and ALFI). Please see important disclosures section at the end of this document.

A person is rappelling down a rock face. The image is overlaid with a semi-transparent teal color. The person is wearing a harness and a blue bag, and is holding a rope. The rock face is textured and has some cracks. The overall scene is outdoors.

# Why Active Indexing?

# What is an active index?

Active indexes offer the benefits of index funds while still seeking to outperform the overall market



# Why should I consider active indexing?

Over the long term, active indexing has outperformed both the market and traditional active funds

## US Large Capitalization Stocks Annualized Returns, as of 9/30/2017

## US Small Capitalization Stocks Annualized Returns, as of 9/30/2017

## International Stocks Annualized Returns, as of 9/30/2017

US Large Capitalization Stocks				US Small Capitalization Stocks				International Stocks			
1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
Active Index 22.0%	Active Index 11.7%	Active Index 16.7%	Active Index 8.6%	Passive 20.8%	Passive 12.2%	Active Index 14.6%	Active Index 8.8%	Active Index 24.3%	Active Index 10.4%	Active Index 13.5%	Active Index 5.4%
Passive 18.5%	Passive 10.7%	Passive 13.9%	Active 6.6%	Active 18.9%	Active 10.0%	Passive 13.8%	Passive 7.9%	Passive 19.3%	Active 5.1%	Active 7.8%	Active 1.3%
Active 17.6%	Active 9.0%	Active 12.9%	Passive 6.1%	Active Index 18.4%	Active Index 9.9%	Active 12.8%	Active 7.2%	Active 18.0%	Passive 4.5%	Passive 6.9%	Passive 0.9%

Active Index = AlphaClone Activist Manager Index  
Active = Morningstar Large Blend Category  
Passive = S&P 500TR

Active Index = AlphaClone Small Cap Index  
Active = Morningstar Small Blend Category  
Passive = Russell 2000

Active Index = AlphaClone International Index (long only, equal weighted)  
Active = Morningstar Foreign Large Category  
Passive = MSCI All Country World ex-US Index

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# Important Disclosures

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The AlphaClone Hedge Fund Downside Hedged Index (ALPHACLN) is an index of high conviction equity holdings derived from hedge fund public disclosures and selected by AlphaClone. ALPHACLN was launched in October 11, 2011 and is calculated by Solactive. The AlphaClone International Downside Hedged Index (ALFIIX) is an index of high conviction ADR holdings derived from hedge fund public disclosures and selected by AlphaClone. ALFIIX was launched on November 5, 2015 and is calculated by Solactive. The AlphaClone Value Manager Index (ALFVIX) is an index of high conviction holdings derived from the public disclosures of value-oriented managers selected by AlphaClone. ALFVIX was launched on September 1, 2016 and is calculated by AlphaClone, Inc.. The AlphaClone Small Cap Index is an index of high conviction small capitalization stocks derived from hedge fund public disclosures and selected by AlphaClone. ALFSIX was launched on September 1, 2016 and is calculated by AlphaClone, Inc. Index calculation methodology can be obtained by downloading the respective indexes' guidelines document or by contacting AlphaClone, Inc. Index performance is presented for general information purposes only. Index performance that is prior to the date each index was launched relates only to a hypothetical model of past performance. Performance does not relate to any asset management products based on any of our indexes. No allowance has been made for trading costs or management fees which would reduce investment performance. Actual results may differ. In addition to any separate account fee earned by AlphaClone for management a separate account, the firm earns a fee from exchange traded funds (ETFs) that track the above indexes.



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# Important Disclosures (cont.)

The performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. The performance quoted reflects the reinvestment of dividends and capital gains, is net of expenses and, where applicable, does not reflect the maximum sales charge of 5.75%. Such a fee, if taken into consideration, will reduce the performance quoted above.

Investors should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing. The prospectus and, if available, the summary prospectus contain this and other important information about the investment company. Request a prospectus from the offering institution or your financial representative. Read carefully before investing.

Investments in this report are subject to market risk, including the possible loss of principal. It should be assumed that investments listed in this report are not FDIC insured. The value of the portfolio will fluctuate with the value of the underlying securities. Investors should consider an investment's investment objective, risks, charges, and expenses carefully before investing. In the case of mutual funds and ETFs (Exchange Traded Funds) a prospectus is available which contains this and other important information and should be read carefully before investing. Diversification does not ensure a profit and may not protect against loss in declining markets.

In addition to the normal risks associated with investing, Investments in smaller companies typically exhibit higher volatility as do investments that do not have significant volume; international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations; emerging markets involve heightened risks related to the same factors, as well as increased volatility and lower trading volume; bonds and bond funds will decrease in value as interest rates rise and are subject to credit risk, which refers to the possibility that the debt issuers may not be able to make principal and interest payments or may have their debt downgraded by ratings agencies.

Mutual funds may contain sales charges, expenses, management fees, and breakpoint discounts (quantity discounts); which vary from mutual fund to mutual fund. Therefore, you should discuss these issues with your financial representative and review each mutual fund's prospectus and statement of additional information to get the specific information regarding the charges and breakpoint discounts associated with a particular mutual fund. Please see the mutual fund prospectus and statement of additional information for details about sales charges, expenses, management fees, discount programs (rights of accumulation, letter of intent, breakpoint discounts, etc). A mutual fund's total expense ratio is shown as provided by a third party vendor and may or may not contain fee waivers or expense reimbursements that may be in effect for the fund. Please refer to the fee table in the fund's prospectus.

ETFs trade like a stock, and ETFs may trade for less than their net asset value. See prospectus for details.

Investing often generates tax consequences which are not incorporated in this report.

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